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FISCAL IMPACT STATEMENT

LS 7549

BILL NUMBER: HB 1510

NOTE PREPARED: Feb 20, 2007

BILL AMENDED: Feb 19, 2007

SUBJECT: Charity Gaming.

FIRST AUTHOR: Rep. Van Haaften

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: ___ GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill makes numerous changes to the laws concerning charity gaming licenses and the participants in charity gaming. It authorizes the Gaming Commission to issue an annual license permitting a qualified organization to sell pull tabs, punchboards, and tip boards at any time on the premises owned or leased by the qualified organization and regularly used for the activities of the qualified organization. It authorizes an annual charity game night license. It specifies that state educational institutions are qualified organizations. It specifies the conditions for conducting raffles and door prize drawings applicable to a candidate's committee. It makes certain changes concerning manufacturers and distributors of charity gaming supplies. It also makes certain changes concerning the Gaming Commission's administration of charity gaming.

Effective Date: July 1, 2007.

Explanation of State Expenditures: *Charity Gaming Administration:* The bill makes various changes relating to administration of charity gaming by the Indiana Gaming Commission (IGC). The cost of IGC administration and enforcement of charity gaming is paid by revenue from Charity Gaming License fees and the Charity Gaming Excise Tax. Revenue from both of these sources is deposited in the Charity Gaming Enforcement Fund. Amounts in the Fund in excess of what is needed to pay administrative costs is distributed to the Build Indiana Fund (BIF). In FY 2006, revenue to the Charity Gaming Enforcement Fund totaled about \$5.4 M. The FY 2006 transfer from the Charity Gaming Enforcement Fund to the BIF totaled about \$3.5 M. Some of the administrative changes in the bill include the following:

(1) The bill allows a member of an organization's board of directors or board of trustees to operate and work at charity gaming events conducted by the organization. The bill also allows a full-time employee of an

organization who is not a member to work at charity gaming events conducted by the organization. Under current statute, organization members and members of an organization's auxiliary are allowed to operate and work at charity gaming events conducted by an organization. A non-member may work at a charity gaming event if the person is a member of another organization qualified to conduct charity gaming is approved by the IGC.

(2) The bill allows parents of students in a public school, members of a public school's parent organization, or members of a public school's alumni association to operate or work at charity gaming events conducted by a public school. This is currently allowed for nonpublic schools only. In addition, the bill allows public and nonpublic school employees, officers, and students to operate or work at charity gaming events conducted by a public or nonpublic school.

(3) The bill specifies that public colleges and universities and other state educational institutions are eligible to conduct charity gaming events.

(4) The bill changes responsibility for publishing notice of an organization's application for an annual bingo license from the IGC to the applicant organization. The bill also requires newspaper notification and specifies the number of times the notice must be published.

(5) The bill specifies reasons for which the IGC may deny a charity gaming license to an organization, or distributor's or manufacturer's licenses.

(6) The bill establishes a new annual charity game night license to allow an organization to conduct charity gaming nights more than one time during the year, and repeals current statute limiting an organization to four charity game nights per year. The bill provides for the IGC to issue a license that may authorize charity game nights on more than one occasion during a year. The bill also specifies information that must be included in certain license applications and annual licenses to conduct charity gaming events. It also provides for public hearing, application, and published notification requirements for organizations applying for an annual charity game night license.

(7) The bill eliminates the license exception for raffles and door prize events if the total market value of the prize or prizes does not exceed \$1,000.

(8) The bill authorizes candidate's committees to obtain door prize licenses. Under current statute, candidate's committees may obtain a raffle license.

(9) The bill provides that a bingo license or special bingo license may authorize an organization to conduct raffle events, in addition to door prize drawings and sell pull tabs, punchboards, and tip boards at bingo events as allowed under current statute.

(10) The bill allows an organization to deduct from gross charity gaming receipts up to \$200 per day for rent paid for facilities leased for charity gaming events in determining the net proceeds of charity gaming events that may be used only for the lawful purposes of the organization. (Note: Current statute unchanged by the bill limits the number of days per week that an organization may rent a facility for charity gaming to three days.) The bill also repeals the limit on facility rent that is set under current statute at \$200 per day.

Explanation of State Revenues: The changes to the charity gaming statutes that could potentially have a revenue impact are as follows.

PPT License: The bill establishes a new annual PPT license allowing an organization to sell pull tabs, punchboards, and tip boards at any time on the premises owned or leased by the organization and regularly used for its activities. The bill specifies that this license is not required for the sale of pull tabs, punchboards, and tip boards at another charity gaming event. The practice has been that organizations obtaining an annual bingo license may use the license to only sell pull tabs, punchboards and tip boards throughout the year, even if bingo is not conducted. Under the bill, an organization would have to obtain the PPT license to conduct pull tab and other sales when other charity gaming events are not being conducted.

In FY 2005 (the latest year available), 850 annual bingo licenses were issued, with 349 of these licensees selling pull tabs but not conducting bingo. Thus, there could potentially be a significant number of organizations shifting from the annual bingo license to the PPT license. In addition, there could be organizations that ultimately would continue to obtain the annual bingo license but obtain the PPT license to sell pull tabs throughout the year. The net impact of these potential license changes on license fees is indeterminable.

Annual Charity Game Night License: The bill establishes a new annual charity game night license to allow an organization to conduct charity game nights more than one time during the year. Currently, the charity game night license allows the game to be conducted only on one day. The potential fiscal impact on charity gaming license fees from this new license is indeterminable.

Candidate's Committees: The bill allows a candidate's committee to qualify for a license to conduct a door prize drawing event. The impact of this change on revenue from license fees is likely to be minimal.

State Educational Institutions: The bill specifies that public colleges and universities and other state educational institutions are eligible to conduct charity gaming events. The extent to which these changes will increase the pool of qualified organizations that may conduct charity gaming events is unknown. The actual impact on license fee revenue would depend upon the response by these entities, and could be reduced to the extent that any additional charity gaming conducted by state educational institutions displaces existing charity gaming operations of civic, educational, other political, religious, senior citizens, or veterans organizations.

Background: Current law permits a bona fide civic, educational, political, religious, senior citizens, or veterans organization to hold a charity gaming license for purposes of conducting charity gaming events. The IGC administers and enforces charity gaming. Allowable charity gaming events consist of bingo, charity game nights, raffles, door prize events, festivals, and sale of pull tabs, punchboards, and tip boards. Gross receipts from charity gaming totaled about \$526.4 M in FY 2005 (the latest year available), with net proceeds totaling about \$72.1 M. In FY 2005, 2,619 charity gaming licences were issued to qualified organizations

Businesses that manufacture, distribute, or sell pull tabs, punchboards and tipboards to organizations within the state must obtain a manufacturer's or distributor's license. The manufacturer's license fee is \$3,000 annually, and the distributor's license fee is \$2,000 annually. In FY 2005, 16 manufacturer's licenses and 55 distributor's licenses were issued resulting in \$158,000 in revenue. In addition to the license fees, the Charity Gaming Excise Tax on pull tabs, punchboards, and tip boards is equal to 10% of the wholesale price of these devices when sold to organizations by distributors and manufacturers. The Charity Gaming Excise Tax resulted in approximately \$1.37 M in revenue during FY 2006.

License fee and excise tax revenue is deposited in the Charity Gaming Enforcement Fund to pay the charity gaming administrative costs incurred by the DOR. Revenue remaining in the Fund after payment of

administrative costs is distributed quarterly to the Build Indiana Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Gaming Commission.

Local Agencies Affected:

Information Sources: *Charity Gaming Annual Report, FY 2005*, Department of State Revenue.

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